



3. Performance by Subgroup, Segment and Region

3.1 HealthCare

Key Data – HealthCare

[Table 3.4]

	2008	2009	Change
	€ million	€ million	%
Sales	15,407	15,988	+3.8
Pharmaceuticals	10,030	10,467	+4.4
Consumer Health	5,377	5,521	+2.7
Sales by Region			
Europe	6,379	6,344	-0.5
North America	4,512	4,634	+2.7
Asia/Pacific	2,278	2,677	+17.5
Latin America/Africa/Middle East	2,238	2,333	+4.2
EBITDA*	3,692	4,148	+12.4
<i>Special items</i>	(465)	(320)	
EBITDA before special items*	4,157	4,468	+7.5
EBITDA margin before special items*	27.0%	27.9%	
EBIT*	2,181	2,640	+21.0
<i>Special items</i>	(583)	(372)	
EBIT before special items*	2,764	3,012	+9.0
Gross cash flow**	3,045	3,153	+3.5
Net cash flow**	2,259	3,431	+51.9

2008 figures restated

* for definition see chapter 4.2 "Calculation of EBIT(DA) Before Special Items," page 74

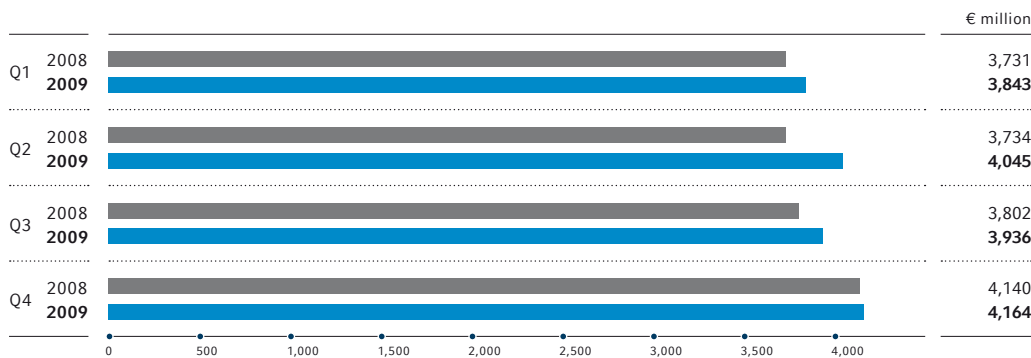
** for definition see chapter 4.5 "Liquidity and Capital Expenditures of the Bayer Group," page 78

Above: illustration
of blood cells

Sales of the HealthCare subgroup rose by 3.8% in 2009 to €15,988 million (2008: €15,407 million). On a currency- and portfolio-adjusted basis, sales also grew by 3.8%, due particularly to the positive business performance in the emerging markets. Favorable price and volume effects each contributed 1.9 percentage points to this growth.

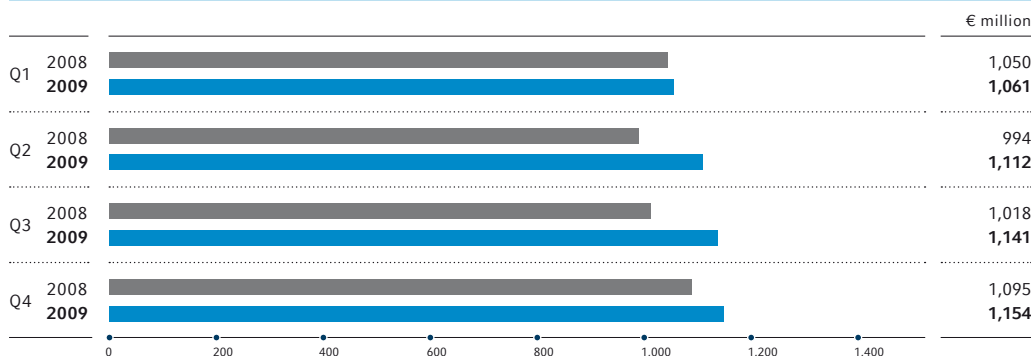
HealthCare Quarterly Sales

[Graphic 3.7]



HealthCare Quarterly EBITDA Before Special Items

[Graphic 3.8]



EBITDA before special items of HealthCare rose by 7.5% in 2009 to €4,468 million (2008: €4,157 million). The EBITDA margin before special items came in at 27.9%, meeting the target set for the year despite significant negative currency effects. The growth in earnings was largely attributable to the positive business trend and to lower selling and administration expenses. These savings were made possible by synergies realized from the integration of Schering, Berlin, Germany, and by further cost-containment measures. On the other hand, earnings were diminished by increased manufacturing costs and by higher research and development expenses. **EBIT** before special items grew by 9.0% to €3,012 million (2008: €2,764 million). The net special charges of €372 million (2008: €583 million) related particularly to litigations and the integration of Schering, Berlin, Germany, as well as to restructuring measures, a valuation write-down and additional funding for the German corporate pension assurance association. EBIT rose by a substantial 21.0% to €2,640 million (2008: €2,181 million).

Pharmaceuticals

Key Data – Pharmaceuticals

[Table 3.5]

	2008	2009	Change
	€ million	€ million	%
Sales	10,030	10,467	+4.4
General Medicine	3,208	3,463	+7.9
Specialty Medicine	3,050	3,159	+3.6
Women's Healthcare	2,873	2,946	+2.5
Diagnostic Imaging	899	899	0.0
Sales by Region			
Europe	4,181	4,107	-1.8
North America	2,646	2,712	+2.5
Asia/Pacific	1,805	2,136	+18.3
Latin America/Africa/Middle East	1,398	1,512	+8.2
EBITDA*	2,500	2,912	+16.5
Special items	(420)	(281)	
EBITDA before special items*	2,920	3,193	+9.3
EBITDA margin before special items*	29.1%	30.5%	
EBIT*	1,222	1,696	+38.8
Special items	(538)	(322)	
EBIT before special items*	1,760	2,018	+14.7
Gross cash flow**	2,092	2,186	+4.5
Net cash flow**	1,547	2,280	+47.4

2008 figures restated

* for definition see chapter 4.2 "Calculation of EBIT(DA) Before Special Items," page 74

** for definition see chapter 4.5 "Liquidity and Capital Expenditures of the Bayer Group," page 78

Sales of our **Pharmaceuticals** segment increased by 4.4% in 2009 to €10,467 million (2008: €10,030 million). Adjusted for currency and portfolio effects, sales advanced by 4.8%. Business expanded encouragingly in the Asia/Pacific (Fx adj. +9.1%) and Latin America/Africa/Middle East (Fx adj. +12.7%) regions, more than offsetting the slight decline in North America (Fx adj. -1.9%).

Best-Selling Pharmaceutical Products

[Table 3.6]

	2008	2009	Change	Currency-adjusted change
	€ million	€ million	%	%
YAZ®/Yasmin®/Yasminelle® (Women's Healthcare)	1,222	1,278	+4.6	+4.7
Betaferon®/Betaseron® (Specialty Medicine)	1,144	1,214	+6.1	+5.7
Kogenate® (Specialty Medicine)	848	888	+4.7	+3.2
Adalat® (General Medicine)	626	633	+1.1	-3.6
Nexavar® (Specialty Medicine)	462	604	+30.7	+27.9
Mirena® (Women's Healthcare)	462	490	+6.1	+4.9
Avalox®/Avelox® (General Medicine)	462	460	-0.4	-1.7
Levitra® (General Medicine)	341	360	+5.6	+4.5
Cipro®/Ciprobay® (General Medicine)	338	331	-2.1	-3.6
Glucobay® (General Medicine)	304	315	+3.6	-0.9
Aspirin® Cardio (General Medicine)	270	315	+16.7	+14.9
Ultravist® (Diagnostic Imaging)	261	262	+0.4	+2.4
Magnevist® (Diagnostic Imaging)	241	219	-9.1	-13.4
Iopamiron® (Diagnostic Imaging)	199	199	0.0	-11.7
Kinzal®/Pritor® (General Medicine)	144	164	+13.9	+14.5
Total	7,324	7,732	+5.6	+3.9
Proportion of Pharmaceuticals sales	73%	74%		

Sales of the **General Medicine** business unit expanded by 7.9% to €3,463 million (2008: €3,208 million). The currency-adjusted (Fx adj.) increase was 5.7%. The gratifying expansion of business in the Asia/Pacific region played a particularly important role here. Sales of Aspirin® Cardio advanced by 14.9% (Fx adj.), especially as a result of strong gains in China. In Japan we achieved sales of €87 million with the cholesterol-lowering drug Zetia®. Other new products contributed to our growth as well. Sales of our erectile dysfunction drug Levitra® (Fx adj. +4.5%) and our anti-hypertensive drug Kinzal®/Pritor® (Fx adj. +14.5%) also developed positively, the latter benefiting from an expansion of indications to include prevention of cardiovascular disease. By contrast, sales of Adalat® to treat high blood pressure and coronary heart disease fell by 3.6% (Fx adj.). Despite the positive effects from the U.S. government contract concluded in 2008, sales of the anti-infective Cipro®/Ciprobay® were down 3.6% (Fx adj.) year on year, due partly to generic competition in Europe. Business with our oral antidiabetic Glucobay® (Fx adj. -0.9%) also shrank.

Sales in the **Specialty Medicine** business unit moved forward by 3.6% to €3,159 million (2008: €3,050 million). Adjusted for currency and portfolio effects, business was up by 6.7%. Sales of our cancer drug Nexavar® rose significantly (Fx adj. +27.9%), chiefly as a result of further market launches and the expansion of its registration in Japan to include the indication liver cancer. We also saw a gratifying expansion in business with our multiple sclerosis drug Betaferon®/Betaseron® (Fx adj. +5.7%), sales of which increased particularly in the United States. Business with our blood-clotting drug Kogenate® expanded by 3.2% (Fx adj.), thanks largely to a considerable increase in Latin America.

Sales of the **Women's Healthcare** business unit moved ahead by 2.5% to €2,946 million (2008: €2,873 million). On a currency-adjusted basis, sales grew by 3.6%. The positive sales performance of our YAZ®/Yasmin®/Yasminelle® line of oral contraceptives continued (Fx adj. +4.7%), due particularly to the growth of YAZ® in the United States and Europe. This increase more than offset the weakening of Yasmin® sales in the United States due to generic erosion. Sales of the hormone-releasing intrauterine device Mirena® continued to grow from the strong prior-year level (Fx adj. +4.9%).

In the **Diagnostic Imaging** business unit, sales were level year on year at €899 million (+0.0%), but dipped by 1.5% on a currency- and portfolio-adjusted basis. Business with Magnevist® contracted by 13.4% (Fx adj.); this was attributable partly to the transition to Gadovist®, sales of which grew strongly (Fx adj. +31.5%), particularly in Europe. Our Ultravist® business expanded further (Fx adj. +2.4%), while sales of Iopamiron® fell by 11.7% (Fx adj.), chiefly as a result of generic competition in Japan.

EBITDA before special items of the Pharmaceuticals segment advanced by 9.3% in 2009 to €3,193 million (2008: €2,920 million). These gains were attributable especially to the positive business trend and to lower selling and administration expenses. The savings were made possible by synergies realized from the integration of Schering, Berlin, Germany, and by cost-containment measures. Earnings were diminished by higher manufacturing costs. We also increased our expenditures for research and development by 5.9% in 2009. **EBIT** before special items grew by 14.7% to €2,018 million (2008: €1,760 million). Net special charges of €322 million resulted from expenditures related to litigation, the integration of Schering, additional funding for the German corporate pension assurance association and the valuation write-down related to our in-licensed development project Recothrom. **EBIT** climbed by a substantial €474 million to €1,696 million (2008: €1,222 million).

Consumer Health

Key Data – Consumer Health

[Table 3.7]

	2008	2009	Change
	€ million	€ million	%
Sales	5,377	5,521	+2.7
Consumer Care	3,020	3,080	+2.0
Medical Care	1,394	1,464	+5.0
Animal Health	963	977	+1.5
Sales by Region			
Europe	2,198	2,237	+1.8
North America	1,866	1,922	+3.0
Asia/Pacific	473	541	+14.4
Latin America/Africa/Middle East	840	821	-2.3
EBITDA*	1,192	1,236	+3.7
Special items	(45)	(39)	
EBITDA before special items*	1,237	1,275	+3.1
EBITDA margin before special items*	23.0%	23.1%	
EBIT*	959	944	-1.6
Special items	(45)	(50)	
EBIT before special items*	1,004	994	-1.0
Gross cash flow**	953	967	+1.5
Net cash flow**	712	1,151	+61.7

2008 figures restated

* for definition see chapter 4.2 "Calculation of EBIT(DA) Before Special Items," page 74

** for definition see chapter 4.5 "Liquidity and Capital Expenditures of the Bayer Group," page 78

Our **Consumer Health** segment improved **sales** by 2.7% to €5,521 million (2008: €5,377 million). Adjusted for currency and portfolio effects, business was up by 2.1%, with all divisions contributing to this increase. This performance was due chiefly to strong sales gains in Russia and China that offset weaker business in the United States.

Best-Selling Consumer Health Products

[Table 3.8]

	2008	2009	Change	Currency-adjusted change
	€ million	€ million	%	%
Contour® (Medical Care)	554	601	+8.5	+7.3
Aspirin®* (Consumer Care)	449	400	-10.9	-9.3
Advantage® product line (Animal Health)	329	336	+2.1	+0.2
Aleve®/naproxen (Consumer Care)	220	217	-1.4	-4.0
Canesten® (Consumer Care)	200	188	-6.0	-3.0
Bepanthen®/Bepanthol® (Consumer Care)	173	186	+7.5	+10.3
One-A-Day® (Consumer Care)	138	153	+10.9	+5.6
Baytril® (Animal Health)	152	149	-2.0	-4.7
Breeze® (Medical Care)	145	138	-4.8	-7.4
Supradyn® (Consumer Care)	140	136	-2.9	+1.0
Total	2,500	2,504	+0.2	-0.2
Proportion of Consumer Health sales	46%	45%		

* total Aspirin® sales = €715 million (2008 = €719 million), including Aspirin® Cardio, which is reflected in sales of the Pharmaceuticals segment

In the **Consumer Care** Division, sales advanced by 2.0% to €3,080 million (2008: €3,020 million). The currency- and portfolio-adjusted increase was 2.5%. The effects of the economic weakness in established markets were more than offset by solid growth in the emerging markets. We achieved sales gains particularly for the food supplement lines Redoxon® (Fx adj. +19.1%) and Berocca® (Fx adj. +13.6%). Furthermore, our Bepanthen®/Bepanthol® skincare products (Fx adj. +10.3%) performed well, particularly in Europe. By contrast, sales were down for our analgesic Aspirin® (Fx adj. -9.3%) due to inventory adjustments in the market and intensified competition.

Sales of the **Medical Care** Division expanded by 5.0% to €1,464 million (2008: €1,394 million). The currency- and portfolio-adjusted increase was 2.1%. This growth was based primarily on higher sales of our blood glucose meters. Our Contour® product line (Fx adj. +7.3%) performed particularly well in Europe. This expansion was due in part to the substitution of our older Elite® system (Fx adj. -30.5%), which generated sales of €83 million in 2009. The decline in business with our Breeze® multi-test system (Fx adj. -7.4%) was attributable to an economy-related drop in demand in the United States.

In the **Animal Health** Division, sales advanced by 1.5% to €977 million (2008: €963 million). Adjusted for currency effects, the increase came to 1.0%. Business with our antiparasitic agent Baycox® grew by 15.6% (Fx adj.) to €48 million, mostly as a result of its market launch in Japan. Sales of our Advantage® line of flea, tick and worm control products remained level year on year, with the positive trend in the United Kingdom and Australia offsetting declines in the United States. Generic competition in Europe diminished sales of our Baytril® broad-spectrum antibiotic (Fx adj. -4.7%).

EBITDA before special items of the Consumer Health segment grew by 3.1% to €1,275 million (2008: €1,237 million). This earnings increase was attributable to the expansion of business and to lower selling expenses. Earnings were diminished by a currency-related increase in the cost of goods sold. **EBIT** before special items fell by 1.0% to €994 million (2008: €1,004 million). After special charges of €50 million relating mainly to the closure of a production facility in Brazil, **EBIT** fell by 1.6% to €944 million (2008: €959 million).